

**CITY OF HALLANDALE BEACH
POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees

City of Hallandale Beach Police Officers' and Firefighters'

Personnel Retirement Trust

Hallandale Beach, Florida

We have audited the accompanying financial statements of the **City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust** ("Plan"), which are comprised of the statements of fiduciary net position as of September 30, 2014 and 2013, and the related statements of changes in net fiduciary position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the **City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust** as of September 30, 2014 and 2013, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis or the supplemental schedules of administrative expenses, the schedule of contributions from the employer and other contributors, the schedule of investment returns or the schedule of changes in the employer net pension liability and related ratios because the limited procedures we performed did not provide us with sufficient evidence to express an opinion or provide any assurance on them.



S I Gordon & Company, PA
May 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust (Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Financial highlights

The Plan's net increase in net position for fiscal year 2014 reflected the following financial activities:

- Total net fiduciary position was \$132,258,821, which was 12% greater than 2013 net fiduciary position.
- Total contributions were \$9,896,860, which was 6% greater than the 2013 contributions.
- Total interest and dividend earnings was \$2,353,173, which was 4% greater than the 2013 earnings.
- Net investment income was \$13,784,343 in 2014, which was 21% lower than the 2013 income.
- Total pension benefits paid to or for retirees was \$7,866,267 which was 5% greater than 2013 pension benefits paid.
- Total benefits paid for DROP accounts was \$2,031,838 which was 7% greater than those paid in 2013.

Overview of the financial statements

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, notes to the financial statements and other required supplemental information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in net fiduciary position. All assets and liabilities associated with the operation of the Plan are included in the Statement of Net fiduciary position.

The statement of net fiduciary position reports net fiduciary position and how they have changed. A net fiduciary position is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan. The increase in net fiduciary positions during 2014 is one indicator of positive financial circumstances.

The Plan was first established on December 15, 1959 covering all full-time police officers and all full-time firefighters employed by the City of Hallandale Beach, Florida. The Plan provides retirement, disability and death benefits for the Police Officers and Firefighters of the City, as defined by the City of Hallandale Beach City code last updated in ordinance 2010-20, which is amended from time to time. There is a board of trustees in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Employer, state and employee contributions for the year were \$9,896,860 combined, which was 6% greater than the 2013 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Police officers' and firefighters' member contributions were 9.5% of pensionable compensation.

Statement of net fiduciary position

The following condensed comparative statements of net fiduciary position are a snapshot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net fiduciary position value, or assets minus liabilities, represents the value of assets restricted for pension benefits.

The Plan is evaluated for actuarial soundness on an annual basis by the actuary of the Plan. It is important to remember that retirement system funding is based on a long-term perspective and that temporary ups and downs in the market are to be expected.

- Total net fiduciary position at September 30, 2014 was \$132,258,821 which is 12% greater than net fiduciary position at September 30, 2013.
- Total investments at September 30, 2014 was \$129,127,303 which was 9% greater than assets at September 30, 2013.

	2014	2013	% Change
Investments, at fair value	\$ 129,127,303	\$118,628,891	9%
Receivables	4,086,210	643,363	535
Total assets	133,213,513	119,272,254	12
Accounts payable	135,762	137,226	(1)
Other liabilities	818,930	559,322	46
Total liabilities	954,692	696,548	37
Net position	\$ 132,258,821	\$118,575,706	12

Statement of changes in net fiduciary position

The statement of changes in net fiduciary position presents the effect of pension fund transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal net increase or decrease in net fiduciary position.

The funding objective is to meet long-term obligations and fund all pension benefits.

- Revenues (additions to the net fiduciary position) for the Plan were \$23,702,674 which was made up of employer, employee and state contributions of \$9,896,860 , plus net investment income of \$13,784,343, plus miscellaneous income of \$21,471.
- Expenses and benefit payments (deductions from the net fiduciary position) increased from \$9,669,252 during 2013 to \$10,019,559 in 2014.

	2014	2013	% Change
Total contributions	\$ 9,896,860	\$ 9,311,297	6%
Net investment income	13,784,343	17,507,584	(21)
Other income	21,471	195,549	(89)
Total additions	23,702,674	27,014,430	(12)
Total deductions	10,019,559	9,669,252	4
Net increase	13,683,115	17,345,178	(21)
Net position – beginning	118,575,706	101,230,528	17
Net position – ending	132,258,821	118,575,706	12

Asset allocation

The table below indicates the Plan's investment policy target and actual asset allocations as of September 30, 2014:

Type of Investment	Investment policy	Actual allocation
Equity	60-65%	62%
Fixed income	15-20%	17%
Real estate	0-5%	4%
Hedge funds	0-17.5%	14%
Cash & equivalents	-	3%
	100%	100%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

Investment activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board of Trustees in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on a quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Fund. The investment policy statement was last amended on May 20, 2013.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial analysis summary

The investment activities, for the fiscal year ended September 30, 2014 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's financial management

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust:

City of Hallandale Beach
Police Officers' and Firefighters' Personnel Retirement Trust
c/o The Resource Centers, LLC
4360 Northlake Boulevard, Suite 206
Palm Beach Gardens, FL 33410

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014 AND 2013

ASSETS

	2014	2013
Receivables and other assets:		
Due for securities sold	\$ 1,271,200	\$ 269,320
State contributions receivable	662,916	-
Employer contributions receivable	1,864,598	123,377
Employee contributions receivable	45,936	45,866
Accrued investment income	229,389	196,586
Prepaid expense	12,171	8,214
Total receivables and other	4,086,210	643,363
Investments, at fair value (Notes 1 and 4)		
Foreign and domestic stock	79,907,034	72,499,987
U.S. obligations	12,243,662	9,354,658
Corporate bonds	9,459,079	9,422,400
Money market funds	3,876,466	5,563,155
Equity mutual funds	-	119,818
Hedge funds	18,455,455	17,012,160
Real estate	5,185,607	4,656,713
Total investments	129,127,303	118,628,891
Total assets	\$ 133,213,513	\$ 119,272,254

LIABILITIES

Payables and other liabilities:		
Accounts payable	\$ 135,762	\$ 137,226
Due for securities purchased	632,377	559,322
Deferred revenue	186,553	-
Total liabilities	\$ 954,692	\$ 696,548

NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for DROP benefits	21,466,275	20,513,527
Net position restricted for defined benefits	110,792,546	98,062,179
Net position restricted for pensions	\$ 132,258,821	\$ 118,575,706

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Additions:		
Contributions:		
Employer	\$ 8,043,523	\$ 7,482,890
Florida Chapter 175 & 185 taxes	662,916	620,891
Employees	1,190,421	1,207,516
Total contributions	9,896,860	9,311,297
Investment income:		
Net appreciation in fair value of investments	12,358,300	15,995,558
Interest and dividend income	2,353,173	2,258,013
Total investment income	14,711,473	18,253,571
Less:		
Investment expenses	927,130	745,987
Net investment income	13,784,343	17,507,584
Other income	21,471	195,549
Total additions	23,702,674	27,014,430
Deductions:		
Benefits paid to or for retirees	7,866,267	7,521,987
Refunds of contributions	-	94,407
Benefits paid from DROP accounts	2,031,838	1,891,848
Administrative expenses (<i>Schedule</i>)	121,454	161,010
Total deductions	10,019,559	9,669,252
Net increase in net position	13,683,115	17,345,178
Net position restricted for pensions:		
Beginning of year	118,575,706	101,230,528
End of year	\$ 132,258,821	\$ 118,575,706

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

. Investment valuation and income recognition -

Investments are reported at fair value (*see Note 3*). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

. Accounting estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

. Income taxes -

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made. Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Trustees believes it is no longer subject to income tax examinations for years prior to 9/30/11.

(2) DESCRIPTION OF THE PLAN:

The following description of the City of Hallandale Beach Police Officers' and Firefighters' Pension Fund ("Plan") provides only general information. Participants should refer to the City's ordinance for more complete information.

. General -

The Plan is a single-employer defined benefit plan, which began on December 15, 1959 covering each employee of the City of Hallandale Beach, Florida who fulfills the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinance and state statutes. As of September 30, 2014 the Plan had 155 active participants, 159 retired members or beneficiaries receiving benefits, and 1 inactive member or beneficiary not yet receiving benefits.

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(2) DESCRIPTION OF THE PLAN (CONTINUED):

Management of the Plan is vested in the Board of Trustees, which consists of five members. One of the trustees must be an active police officer elected by a majority of the police officers who are active members of the Plan, another trustee must be an active firefighter elected by a majority of the firefighters who are active members of the Plan, two trustees are appointed by the City Commission and must be legal residents of the City; and the fifth trustee is selected by majority vote of the other four members of the board.

• **Eligibility -**

All full-time police officers and all full-time firefighters employed by the City.

• **Vesting –**

Benefits are fully vested after 10 years of continuous service.

• **Benefits –**

Normal retirement – Participants are eligible for normal retirement benefits upon the earlier of attaining age 52 with 10 years of service or completing 25 years of service, regardless of age. The normal retirement benefit for Tier I is 3.2% and for Tier II is 3.00% of final average monthly earnings times the years of credited service. The maximum benefit for Tier I is 80% and for Tier II is 75% of final average compensation. Credited service means uninterrupted service for which a contribution to the Plan is made. It may include up to four years of service purchased by a member.

Early retirement – Participants are eligible for early retirement benefits upon attaining age 45 with 10 years of continuous service. The early retirement benefit may be taken in two ways; immediately upon early retirement (date of separation from active service); or deferred until the participant attains normal retirement age (as defined above). If the participant elects to receive compensation upon early retirement, the amount of the benefit will be determined in the same manner as normal retirement benefit but the benefit payable will be reduced by .5% for each month by which the commencement of benefits precedes the normal retirement date. If the participant elects to defer receiving compensation until the retirement age, the amount of benefit will be defined in the same manner as normal retirement but the average compensation used in the calculation will be based on the date of separation from active service (no percentage will be reduced).

Disability retirement – Members are eligible for benefits for duty disability (service incurred), regardless of length of continuous service prior to becoming disabled and are eligible for non-duty incurred disability benefits after completing 10 years of continuous service. Benefits for duty disability will be 75% of the member's pensionable earnings at the time of disability integrated with social security. Benefits for non-service incurred disability will be 3.2% of average monthly compensation for each year of continuous service, but not less than 25%. The disability benefit is payable for the life of the member or recovery of the disability, unless the participant had selected a survivorship option in which case payment will continue until the death of the survivor.

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(2) DESCRIPTION OF THE PLAN (CONTINUED):

. Benefits (continued) –

Pre-retirement death – Death benefits are payable on behalf of members who die during performance of their professional service. A surviving beneficiary will receive a monthly benefit equal to the greater of 30% of the member's average monthly earnings at the time of death or the member's accrued monthly retirement benefit. If no beneficiary has been designated, the death benefit will be payable for 120 months to the estate of the deceased.

If any member dies during active service from causes not attributable to active duty or service, a death benefit will be payable according to the length of continuous service. If the participant has completed more than 10 years of credited service to the plan, the non-service incurred death benefit shall be equal to the member's accrued monthly retirement benefit at the time of death. If a member dies before completing 10 years of credited service, the death benefit will equal the member's accumulated contributions, plus interest.

Post-retirement cost-of-living adjustment (C.O.L.A.) – The post-retirement C.O.L.A. will be made depending on the participant's date of hire and date of retirement as follows:

- Police officers who retired prior to March 20, 2013 and firefighters who retired prior to August 7, 2013, will receive a C.O.L.A. increase of 2% per year for normal retirement.
- Police officers eligible for normal retirement or with 24 years of service as of March 20, 2013, and firefighters eligible for normal retirement as of August 7, 2013, or who will have completed 24 years of service as of December 28, 2013 will receive a C.O.L.A. increase of 2% per year for normal retirement, but limited to a total of eight (8) annual adjustments.
- All other police officers hired prior to March 20, 2013 and all other firefighters hired prior to August 7, 2013 will receive 2.0% per year for normal retirement, but limited to eight (8) adjustments once the \$95,000 maximum benefit is realized.
- Police officers hired on or after March 20, 2013 and firefighters hired on or after August 7, 2013 will not receive C.O.L.A. adjustment.

Deferred retirement option plan (DROP) –When entering the DROP plan, the employee will not terminate employment with the City, but will cease accruing benefits under the Plan, and the monthly benefit as of the election date will be saved and invested. Eligibility is based upon attainment of age 52 with 20 years of credited service; the completion of 25 years of service regardless of age; or at the date when a member's service credit benefit reaches 80% of the average compensation. The maximum period of participation in the DROP is 5 years. DROP account balances are invested at the election of the participant in one of two ways: with the pension fund investments (subject to market fluctuations and a .5% administrative fee) or at a fixed pre-determined rate determined by the actuary.

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

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NOTES TO FINANCIAL STATEMENTS

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(2) DESCRIPTION OF THE PLAN (CONTINUED):

. Funding -

From October 1, 2006 to July 2010, each participant contributed to the plan 10% of their annual pensionable compensation. Prior to that date, the contribution was 8%. Effective July 2010, the Police officer's contribution was reduced to 9.5% of their annual pensionable compensation and effective December 2010, the Firefighter's contribution was also reduced to 9.5%.

Pursuant to Chapters 175 and 185 of the Florida Statutes, a premium tax on certain insurance contracts written within the City is collected by the state and remitted to the City for Police and Firefighters' Retirement System as part of the City's contribution.

City contributions are based upon actuarially determined percentage of payroll that, together with earnings and employee and state contributions, are sufficient to fund the benefits described above.

. Rate of return -

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(3) NET PENSION LIABILITY OF THE FUND

Below are the components of the net pension liability of the Plan at September 30, 2014:

Total pension liability	\$182,531,377
Plan's fiduciary net position	132,233,499
Plan's net pension liability	50,297,878
Plan fiduciary net position as a percentage of the total pension liability	72.44%

The total pension liability was determined by an actuarial valuation as of October 1, 2013, using the following most significant actuarial assumptions: 7.75% for the investment rate of return, 6.9% for projected salary increases, and 4% for inflation.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table without projection. The actuarial assumptions used in the valuation of October 1, 2013 were based on the results of an actuarial experience study for the period October 1, 2012–September 30, 2013.

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

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NOTES TO FINANCIAL STATEMENTS

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(3) NET PENSION LIABILITY OF THE FUND (CONTINUED):

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of October 1, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Domestic equity – large cap	6.5%
Domestic equity – small/medium cap	7.4%
International equity	6.5%
Fixed income	2.2%
Real estate	5.8%
Hedge fund of funds	5.0%

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows:. The net pension liability of the City was calculated using the discount rate of 7.75 %. It was also calculated using a discount rate that was 1-percentage-point lower (6.75 %) and 1-percentage-point higher (8.75%) and the different computations were compared.

	<u>1% decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% increase (8.75%)</u>
Net pension liability	\$68,501,187	\$50,297,878	\$35,107,069

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(4) INVESTMENTS:

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on May 20, 2013. The following was the Board's adopted asset allocation policy as of September 30, 2014:

Type of Investment	Target Allocation
Equity	60-65%
Fixed income	15-20%
Real estate	0-5%
Hedge funds	0-17.5%
Cash and equivalents	Minimal

During the year ended September 30, 2014 the Fund's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$12,358,300 as follows:

Domestic and foreign stock	\$ 9,935,815
Corporate bonds	425,826
U.S. government obligations	(10,264)
Hedge funds	1,694,608
Short term investments	(15,319)
Real estate	<u>327,634</u>
Total	<u>\$12,358,300</u>

The Board of Trustees determines the Plan's investment policy. The policy has been designed by the Board to maximize the Plan's asset value, while assuming a risk that is consistent with the Board's risk tolerance. As is prudent, the Board has adopted a policy to diversify investment risk among several institutionally acceptable asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate.

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(4) INVESTMENTS (CONTINUED):

The Fund's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fund's investments in government securities and corporate bonds had maturities as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>Investment maturities</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Corporate bonds	\$ 9,459,079	\$150,473	\$ 2,783,738	\$3,000,945	\$ 3,523,923
US Agencies	8,180,999	-	-	98,440	8,082,559
US Treasury	4,062,663	251,818	2,244,305	863,852	702,688
Totals	\$ 21,702,741	\$402,291	\$ 5,028,043	\$ 3,963,237	\$ 12,309,170

"Concentration of credit risk" is the risk inherent with investing a significant amount of Plan assets in particular issuers. The Plan limits equity investments that may be invested in any one issuer to no more than 5% of Net Fiduciary Position. For fixed income/debt investment, other than those issued by the US Government or its Agencies, the limit is 10%. The Plan did not have any investments in a single issuer that exceeded either of those limits.

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan limits its credit risk by limiting its investments in fixed income securities to US Government and agency securities or corporate bonds which are rated in the four highest classifications by a major rating service.

<u>Rating</u>	<u>Fair Market Value</u>
A1	\$ 200,672
A2	652,023
A3	1,068,945
Aa2	430,642
Aa3	200,424
Aaa	4,514,779
Ba1	469,948
Ba2	230,421
Baa1	1,694,699
Baa2	1,967,493
Baa3	2,054,116
N/R govt securities	<u>8,218,579</u>
Grand Total	<u>\$21,702,741</u>

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

SEPTEMBER 30, 2014 AND 2013

(4) INVESTMENTS (CONTINUED):

“Foreign currency risk” is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars as well as the carrying value of foreign investments. American Depositary Receipts (ADRs) are non-U.S. equity that have no foreign currency risk since they are issued in U.S. dollars and, therefore, they are not included. The total of the investments in foreign securities, all of which are ADR's, is \$13,238,976 invested through The Renaissance Group LLC and Thornburg Investment Management.

The investment policy limits the foreign investments to no more than 12.5% of the Fund's investment balance. As of year-end, the foreign investments were 10% of total investments.

(5) RISKS AND UNCERTAINTIES:

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net fiduciary positions available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(6) SUBSEQUENT EVENTS:

The plan has evaluated subsequent events through May 18, 2015, the date the financial statements were available to be issued.

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
Accounting	\$ 8,700	\$ 8,700
Actuarial fees	15,812	27,470
Administrative fees	51,000	51,000
Conferences	8,349	8,079
Insurance	8,835	9,038
Legal	16,564	53,032
Miscellaneous	12,194	3,691
Total expenses	\$ 121,454	\$ 161,010

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'

PERSONNEL RETIREMENT TRUST

SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS

FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30, 2014

(UNAUDITED)

Year Ended September 30	Annual determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered employee payroll
2014	\$8,651,807	\$8,651,807	-	\$12,179,211	71%
2013	8,140,920	8,140,920	-	12,528,346	65
2012	9,137,817	9,144,014	(6,197)	13,244,476	67
2011	8,110,548	8,110,548	-	12,199,319	66
2010	7,320,389	7,549,543	(229,154)	11,995,957	63
2009	7,527,340	7,527,340	-	11,034,615	68

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Closed
Remaining amortization period	30 Years (as of 10/1/2012)
Asset valuation method	5 Year Smooth (Market)
Inflation	4%
Salary increases	10.0% for less than 10 years of credited service. For 10 or more years of credited service, the assumption is 4.5%.
Investment rate of return	7.75%
Retirement age	Earlier of: 1) Age 52 with 10 years of credited service, or 2) the completion of 25 years of credited service, regardless of age.
Mortality rate	RP2000, Combined Healthy Mortality Table without projection.

CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
SCHEDULE OF INVESTMENT RETURNS
AS OF SEPTEMBER 30, 2014
(UNAUDITED)

Year Ended September 30	Annual money- weighted rate of return net of investment expense
2014	12.02%
2013	17.41
2012	20.63
2011	(0.02)
2010	8.79
2009	0.95
2008	(14.96)
2007	15.99
2006	8.07

**CITY OF HALLANDALE BEACH POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST
SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS**

	2014
Total pension liability:	
Service cost	\$ 2,068,244
Interest	13,484,951
Benefit changes	-
Difference between actual & expected experience	-
Assumption changes	-
Benefit payments	-
Employee contributions	(9,905,885)
Net Change in Total Pension Liability	<u>5,647,310</u>
Total Pension Liability - Beginning	<u>176,884,067</u>
Total Pension Liability - Ending	<u><u>\$ 182,531,377</u></u>
Plan Fiduciary Net Position:	
Contributions - Employer	\$ 7,988,891
Contributions - State	662,916
Contributions - Member	1,190,421
Net investment income	13,794,259
Benefit payments including refunds	(9,905,885)
Administrative expenses	(109,957)
Other	-
Net Change in Fiduciary Net Position	<u>13,620,645</u>
Plan Fiduciary Net Position - Beginning	<u>118,612,854</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 132,233,499</u></u>
Net Pension Liability - Ending	<u><u>\$ 50,297,878</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72%
Covered Employee Payroll	\$ 12,179,211
Net Pension Liability as a Percentage of Covered Employee Payroll	413%

S I Gordon & Company, PA

Certified Public Accountants

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees

City of Hallandale Beach Police Officers' and Firefighters

Personnel Retirement Trust

Hallandale Beach, Florida

We have audited the financial statements of **City of Hallandale Beach Police Officers' and Firefighters Personnel Retirement Trust**, as of and for the year ended September 30, 2014, and have issued our report thereon dated May 18, 2015. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **City of Hallandale Beach Police Officers' and Firefighters Personnel Retirement Trust** financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **City of Hallandale Beach Police Officers' and Firefighters Personnel Retirement Trust** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the administrator in the normal course of performing its assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

A handwritten signature in black ink that reads "S I Gordon & Company". The signature is written in a cursive, flowing style.

S I Gordon & Company, PA
Certified Public Accountants
May 18, 2015